

DE 98-124

**ENERGYNORTH NATURAL GAS, INC. D/B/A
KEYSPAN ENERGY DELIVERY NEW ENGLAND**

Competition in the Natural Gas Industry

Order Authorizing Recovery of Restructuring Expenses

ORDER NO. 23,821

October 31, 2001

I. PROCEDURAL BACKGROUND

The New Hampshire Public Utilities Commission (Commission), by Order No. 23,652 (May 15, 2001), in Docket DE 98-124, approved the *New Hampshire Gas Collaborative Final Report* (Report) signed by EnergyNorth Natural Gas, Inc. (ENGI) d/b/a KeySpan Energy Delivery New England (KeySpan), Northern Utilities, Inc., the Office of the Consumer Advocate, and Commission Staff (Staff). The Report addressed further unbundling of natural gas supply in New Hampshire.

Pertinent to the issue of restructuring expenses, the Report stated:

The LDCs have incurred, and will continue to incur, substantial costs related to developing expanded customer choice, including costs associated with the Collaborative, the customer survey and a future customer education campaign. Because these costs are extraordinary in nature and substantial in amount, the Signatories recommend that LDCs be authorized to defer and recover these costs through a surcharge to all customers eligible for transportation service. The Signatories recommend a recovery mechanism and procedure similar to that authorized for electric utilities that have recovered such expenses resulting from the retail competition pilot program. The LDCs would file these

charges on an annual basis, subject to review and approval by the Commission. (Report at 14)

The pertinent portion of Order No. 23,652 reads:

Northern and ENGI are hereby authorized to defer and recover, subject to Commission audit and approval, the reasonable costs associated with restructuring through a surcharge, limited at this time to all commercial and industrial natural gas customers eligible for delivery-only service and that the Natural Gas Collaborative shall recommend a recovery mechanism and procedure under which proposed charges shall be filed on an annual basis, subject to review and approval by the Commission. (Order at 36)

On October 19, 2001, KeySpan submitted a summary of its incremental restructuring expenses broken down into major components. KeySpan had previously submitted to Staff supporting documentation (copies of invoices) for costs which KeySpan seeks to recover. KeySpan's incremental restructuring expenses amounted to \$197,266.

On October 26, 2001, Staff filed a memorandum containing Staff's recommendation regarding KeySpan's restructuring expenses. Staff stated that it had reviewed the filing and supporting documentation and found the expenses, except for consultant fees, to be reasonable. Staff found the consulting expenses of R.J. Rudden Associates, Inc. (Rudden) of approximately \$73,000 not used and useful to the proceeding. Although invoices were provided to support the expense, Staff stated that it was not aware that ENGI had

contracted with this company or that any of its recommendations/strategies were introduced during the Gas Collaborative's meetings. Further, ENGI hired a subsequent consultant to perform ENGI's cost of service studies for its rate redesign proceeding, which testimony never referred to incorporating work products from Rudden. And finally, Staff believed the fact that ENGI discontinued its relationship with Rudden speaks to the value it placed on Rudden's services. Therefore, Staff recommended that the Commission disallow recovery of the Rudden expenses totaling \$72,979.

Consistent with the Commission's approval of the Report, Staff recommended that the Commission approve a restructuring expense surcharge of \$0.0020 per therm for all firm Commercial and Industrial (C&I) customers, with the exception of special contract customers, through KeySpan's Local Distribution Adjustment Clause (LDAC) effective November 1, 2001. The \$0.0020 per therm surcharge is derived by dividing \$124,287 by 61,973,493, the C&I therm throughput. This charge would be recovered over a one-year period and would entitle KeySpan to recover \$124,287 of the costs related to further C&I gas unbundling.

II. COMMISSION ANALYSIS

In Order No. 23,652, the Commission expressed its concern over the level of restructuring expenses gas utilities might seek to recover. Those same concerns still exist:

We agree with the Joint Signatories that the expenses of market development are a reasonable expense of implementing further customer choice. We agree they should be recovered from those customers affected by this order. However, we are concerned about the level of expenses estimated by the LDCs for this effort, particularly in light of the Marketers' forecasts of the limited benefits that can be obtained under the market model adopted for the next phase of market liberalization. Accordingly, we will direct Northern and ENGI to develop a proposed market development surcharge mechanism for recovery of this category of costs, and caution the LDCs that we will carefully review the level and reasonableness of the costs presented for recovery.

Staff has completed a thorough and careful review of ENGI's restructuring expenses and has made recommendations concerning the reasonableness of the expenses. Staff recommended disallowance of some expenses and recommended approval of the remaining expenses. We have reviewed Staff's recommendation and will approve recovery of \$124,287 in restructuring expenses over the one-year recovery period recommended by Staff.

Based upon the foregoing, it is hereby

ORDERED, that KeySpan is **AUTHORIZED** to recover \$124,287 in restructuring expenses via a per therm surcharge through KeySpan's LDAC and that the surcharge is \$0.0020 per

therm from firm C&I rate classes, with the exception of special contract customers, for a period of one year, effective with service rendered on or after November 1, 2001; and it is

FURTHER ORDERED, that KeySpan shall file with the Commission by January 1, 2003 a full accounting of the revenues collected by this surcharge; and it is

FURTHER ORDERED, that KeySpan shall file a properly annotated tariff with the Commission within 14 days of the date of this order in accordance with N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2001.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary